

TEACHERS' RETIREMENT BOARD  
INVESTMENT COMMITTEE

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SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 16

ATTACHMENT(S): 3

ACTION: \_\_\_\_\_

DATE OF MEETING: June 7, 2000

INFORMATION: X

PRESENTER(S): Patrick Mitchell

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The following is a summary of the developments in the financial markets that have occurred between May 1, 2000 and May 22, 2000.

1. The yield on the 30-year U.S. Treasury bond has increased from 5.96% to 6.23%.
2. The market level of the S&P 500 Index has decreased from 1452 to 1402.
3. The U.S. dollar has been unchanged compared to the euro (at .91), strengthening compared to pound sterling (1.55 to 1.49), and weakening compared to the yen (1.08 to 1.06).
4. The Federal Reserve Board of Governors held their meeting on May 16, 2000. The Federal Reserve increased the targeted Federal Funds rate by ½ of one percent to 6.50%. The next scheduled FMOC meeting is June 28, 2000.
5. There were four active investment manager fundings shown on Attachment 2 for Battery March Financial Management, Fidelity Management, Marvin and Palmer Associates, and Nicholas Applegate Capital Management. The money was transferred from the BGI- Europe and BGI- Pacific Basin indexed portfolios.

California State Teachers' Retirement System  
Investment Summary  
For the Period ended April 30, 2000

Attachment I  
Page 1

Investment Summary - Market Value (amounts in millions)													
Asset		This Month		One Year Ago		Three Years Ago		Five Years Ago					
Domestic Equity		\$	47,594	43.0%	\$	44,744	45.6%	\$	23,859	34.4%	\$	17,824	33.7%
International Equity			28,286	25.5%		21,798	22.2%		13,416	19.3%		5,954	11.3%
Fixed Income			26,523	23.9%		25,344	25.8%		25,123	36.2%		22,175	41.9%
Global Asset Allocators			N/A	N/A		1,053	1.1%		2,624	3.8%		1,780	3.4%
Private Equity			7,702	7.0%		4,600	4.7%		3,171	4.6%		2,167	4.1%
Liquidity			677	0.6%		678	0.7%		1,205	1.7%		3,004	5.7%
Total Market Value		\$	110,782	100.0%	\$	98,217	100.0%	\$	69,398	100.0%	\$	52,904	100.0%

<i>Performance Returns for Major Asset Categories</i>						
Asset	Month	Fiscal YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity	-3.95	9.96	13.62	23.20	23.60	18.06
Int'l Equity	-5.43	16.40	17.97	13.86	12.47	N/A
Fixed Income	-0.70	2.00	-0.38	7.00	7.74	9.12
Real Estate	N/A	N/A	11.29	17.07	14.79	6.15
Alternative Investments	N/A	N/A	67.52	36.16	34.71	21.42
Liquidity	0.52	5.08	6.03	6.04	6.04	5.82
Total Fund	-3.23	10.70	12.36	16.51	15.56	13.13
<b>Indices</b>						
Domestic Equity Custom	-3.52	9.52	12.87	23.53	24.40	18.41
MSCI AC ex US	-5.58	16.25	15.88	13.09	10.36	9.16
Salomon LPF	-0.69	2.12	-0.14	6.54	7.40	9.01
Real Estate Custom	N/A	N/A	10.80	13.12	11.34	5.79
T-Bill	0.47	4.31	5.09	5.05	5.19	4.97
Consumer Price Index	0.83	3.82	3.82	2.51	2.58	2.96
Wilshire 5000	-5.21	8.69	11.81	23.33	23.87	18.16
Russell 3000	-3.52	9.52	12.87	23.54	24.35	18.49
MSCI EAFE	-5.26	15.57	13.89	14.04	10.36	8.88
LB Gov / Corp	-0.49	2.30	0.93	6.09	6.73	8.11

	Current Month	Past 12 Months
<b>Cash Inflow:</b>		
Contributions & misc receipts	\$ 417.9	\$ 3,983.9
Less: Benefits & misc. payments	\$ (78.0)	\$ (3,441.4)
Investment Income	\$ 198.3	\$ 3,002.4
Total Cash Inflow	\$ 538.2	\$ 3,544.9
<b>Cash Allocation:</b>		
Domestic Equity	\$ 42.2	\$ (2,255.0)
International Equity	\$ 2.0	\$ 1,206.5
Fixed Income	\$ 303.0	\$ 2,892.3
Global Asset Allocators	\$ -	\$ (66.0)
Private Equity	\$ 223.1	\$ 1,844.3
Liquidity	\$ (32.0)	\$ (77.2)
Total Cash Allocation	\$ 538.2	\$ 3,544.9

<i>Asset Allocation Percentage</i>				
Assets	Actual	Target	Difference	Range
Public Equity	65.3%	63.0%	2.3%	57 - 69
Public Fixed Income	24.6%	27.0%	(2.4%)	23 - 32
Private Equity	10.1%	10.0%	0.1%	8 - 12
Total Investment Assets	100.0%	100.0%		
<i>Which can be compared to the strategic targets .....</i>				
Active - Domestic Equity	8.1%	7.6%	0.5%	6 - 9
Passive - Domestic Equity	34.9%	30.4%	4.5%	29 - 41
Allocated Not Funded	-3.2%	0.0%	(3.2%)	
TOTAL DOMESTIC EQUITY	39.8%	38.0%	1.8%	35 - 41
Active - International Equity	10.7%	12.5%	(1.8%)	11 - 14
Passive - International Equity	14.8%	12.5%	2.3%	11 - 14
TOTAL NON-US EQUITY	25.5%	25.0%	0.5%	22 - 28
<b>TOTAL PUBLIC EQUITY</b>	<b>65.3%</b>	<b>63.0%</b>	<b>2.3%</b>	<b>57 - 69</b>
Real Estate	2.9%	5.0%	(2.1%)	
Alternative Investments	4.0%	5.0%	(1.0%)	
Allocated Not Funded	3.2%	0.0%	3.2%	
<b>TOTAL PRIVATE EQUITY</b>	<b>10.1%</b>	<b>10.0%</b>	<b>0.1%</b>	<b>8 - 12</b>
Passive - Domestic Fixed Income	23.1%	26.0%	(2.9%)	23 - 29
Active - Other Fixed Income	0.9%	0.0%	0.9%	
TOTAL FIXED INCOME	23.9%	26.0%	(2.1%)	23 - 29
Liquidity	0.6%	1.0%	(0.4%)	0 - 3
<b>TOTAL FIXED &amp; LIQUIDITY</b>	<b>24.6%</b>	<b>27.0%</b>	<b>(2.4%)</b>	<b>23 - 32</b>
TOTAL INVESTMENT ASSETS	100.0%	100.0%		

California State Teachers' Retirement System  
Off Balance Sheet Transactions  
For the period ended April 30, 2000

Attachment I  
Page 3

<b><i>Currency Hedging - Market Value (amounts in millions)</i></b>					
Managers	Pacific Basin		European		Total
Active International	\$4,092.30	-4.1%	\$ 7,221.24	0.0%	\$11,313.53 -1.5%
Passive International	\$4,803.45	-33.9%	\$ 9,362.01	0.0%	\$14,165.47 -11.5%
* Does not include emerging market securities, Canadian stocks, cash or accruals.					

<b><i>Currency Realized Gains/(Losses) (amounts in millions)</i></b>			
Managers	Currency Realized Gains/(Losses)		
	1 Month	1 Year	Since Inception
Active International	\$0.50	(\$18.74)	\$74.84
Passive International	\$4.63	(\$28.77)	\$364.28

<b><i>Securities Lending Income</i></b>			
Asset	Current Fiscal Year		Prior Fiscal Year
	7/99 - 04/00	vs.	7/98 - 04/99
Domestic Equity	\$10,766,421		\$10,127,480
International Equity	\$23,158,426		\$26,359,886
US Treasury	\$11,758,452		\$14,726,649
Other Fixed Income Securities	\$620,532		\$1,478,551
Total Income	<u>\$46,303,831</u>		<u>\$52,692,566</u>

<b><i>Securities Lending (On-Loan/Collateral Summary)</i></b>			
Asset	Securities On-Loan	Collateral Valuation	Percent
Domestic Equity	\$2,871,791,089	\$2,964,973,653	103%
International Equity	\$5,906,299,912	\$6,234,193,685	106%
US Treasury	\$6,190,045,068	\$6,328,239,170	102%
Other Fixed Income Securities	\$251,030,697	\$256,760,049	102%
Total Value	<u>\$15,219,166,767</u>	<u>\$15,784,166,557</u>	104%

# California State Teachers' Retirement System

Attachment 2

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## Monthly Investment Summary

	Market Value		Market Value		Market Value	
	03/31/2000	Market %	04/30/2000	Market %	Difference	% Diff.
<b><i>Liquidity</i></b>						
Cash Allocation	559,522,559		531,737,500		(27,785,059)	
US Cash Equitization	148,862,641		144,241,372		(4,621,269)	
<b>Total Liquidity</b>	<b>708,385,200</b>	<b>0.62%</b>	<b>675,978,872</b>	<b>0.61%</b>	<b>(32,406,328)</b>	<b>(0.01%)</b>
<b><i>Domestic Equity</i></b>						
<b>Active</b>						
Ariel Capital	285,530,354		284,229,472		(1,300,882)	
Bank of America	531,602,394		518,302,911		(13,299,482)	
BGI - Enhanced	550,803,745		536,026,349		(14,777,396)	
Brinson Partners	486,955,743		509,192,466		22,236,723	
Brown Capital Management	489,222,444		485,220,037		(4,002,406)	
Delaware Investment Adv	400,670,243		402,283,398		1,613,155	
Delphi Management, Inc	182,050,912		179,418,073		(2,632,839)	
Denver Investment Advisors	922,844,683		805,138,831		(117,705,852)	
DSI International Management	771,546,604		747,540,004		(24,006,600)	
First Quadrant	512,378,871		497,345,390		(15,033,481)	
Mellon Capital Management	686,534,054		667,843,013		(18,691,041)	
NCM Capital Management	753,340,192		734,909,117		(18,431,075)	
Putnam Investments	695,365,824		626,041,876		(69,323,948)	
Sasco Capital	547,615,416		571,709,625		24,094,210	
SSgA - Enhanced	761,197,607		737,653,732		(23,543,875)	
TCW Asset Manangement Co	771,376,378		618,545,471		(152,830,906)	
<b>Passive</b>						
BGI Extended Market Index	7,327,737,504		6,655,346,328		(672,391,176)	
BGI S&P 500 Index	17,523,230,238		17,089,174,229		(434,056,009)	
STRS S&P 500 Index	15,386,215,857		14,925,814,468		(460,401,389)	
<b>Total Domestic Equity</b>	<b>49,586,219,063</b>	<b>43.45%</b>	<b>47,591,734,794</b>	<b>42.96%</b>	<b>(1,994,484,269)</b>	<b>(0.49%)</b>
<b><i>International Equity</i></b>						
<b>Active</b>						
Bank of Ireland Asset Management	1,114,066,195		1,061,681,887		(52,384,308)	
Battery March Financial Mgmt Inc.	353,690,668		431,128,674		77,438,006	
Blackrock, Inc.	228,427,210		208,563,219		(19,863,991)	
Brinson Partners Non-USEQ	522,461,693		504,848,024		(17,613,669)	
Capital Guardian Trust	1,857,063,884		1,752,379,844		(104,684,040)	
Delaware Int'l Advisors Inc.	316,847,600		314,979,618		(1,867,982)	
Fidelity Management Co.	305,953,923		387,992,429		82,038,506	
Fiduciary Trust	949,640,009		880,197,712		(69,442,297)	
Lazard Freres	1,012,387,402		967,435,472		(44,951,930)	
Marvin & Palmer Assoc, Inc.	540,973,420		525,196,384		(15,777,036)	
Morgan Stanley	966,609,345		918,968,641		(47,640,704)	
Newport Pacific Mgmt	432,805,855		396,985,912		(35,819,942)	

# California State Teachers' Retirement System

Attachment 2

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# California State Teachers' Retirement System

Attachment 2

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	03/31/2000	Market %	04/30/2000	Market %	Difference	% Diff.
Nicholas-Applegate Capital Mgmt	561,216,284		559,475,701		(1,740,583)	
Oechsle International	1,329,186,205		1,267,373,254		(61,812,951)	
Schroder Capital	785,695,566		726,010,609		(59,684,957)	
Scudder, Stevens & Clark	1,047,769,592		996,541,005		(51,228,586)	
<b>Passive</b>						
BGI - Europe	10,009,515,859		9,573,933,920		(435,581,939)	
BGI - Pacific	5,562,910,181		5,018,465,432		(544,444,749)	
SSgA Emerging Market Index	1,977,533,724		1,793,380,170		(184,153,554)	
<b>Transition</b>						
STRS International	190,139		181,536		(8,602)	
<b>Total International Equity</b>	29,874,944,754	26.18%	28,285,719,446	25.53%	(1,589,225,308)	(0.65%)
<b>Fixed Income</b>						
Corporate Bond Index	8,178,902,923		7,888,520,331		(290,382,592)	
Mortgage Backed Security Index	8,219,515,412		8,180,356,811		(39,158,602)	
Mortgage Loan	451,082,645		454,867,660		3,785,015	
US Treasury & Agency Index	9,670,747,568		9,999,152,939		328,405,371	
<b>Total Fixed Income</b>	26,520,248,549	23.24%	26,522,897,741	23.94%	2,649,192	0.70%
<b>Real Estate</b>						
CB Richard Ellis	1,185,076,037		1,181,099,731		(3,976,306)	
Clarion Partners, LLC	90,387,097		148,279,338		57,892,241	
Heitman Capital Management	28,859,536		80,837,483		51,977,947	
Lend Lease	933,127,840		938,842,652		5,714,812	
MIG Realty Advisors	188,599,373		188,793,957		194,584	
Sentinel Realty Advisors	17,621,826		17,622,511		685	
Special Situations	390,624,844		390,613,594		(11,250)	
SSR Realty Advisors	262,331,530		289,010,508		26,678,978	
<b>Total Real Estate</b>	3,096,628,084	2.71%	3,235,099,773	2.92%	138,471,690	0.21%
<b>Alternative Investments</b>						
Limited Partnerships	4,332,515,710		4,470,070,303		137,554,593	
<b>Total Alternative Investments</b>	4,332,515,710	3.80%	4,470,070,303	4.04%	137,554,593	0.24%
<b>Grand Total</b>	<u>114,118,941,359</u>	100.00%	<u>110,781,500,929</u>	100.00%	<u>(3,337,440,430)</u>	

### PLEASE NOTE:

All Figures Include Accruals

The Information contained in this report is UNAUDITED

Member Home Loan Securitization Principal Balance as of 04/30/2000 is \$125,480,611

The Internally Managed Cash Collateral Portfolio is NOT included above.

The Net Asset Value as of 4/30/2000 is \$ 2,744,268,678.80

# California State Teachers' Retirement System

Attachment 2

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Corporate Bond Index	8,178,902,923		7,888,520,331		(290,382,592)	
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Mortgage Loan	451,082,645		454,867,660		3,785,015	
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<b>Grand Total</b>	<u>114,118,941,359</u>	100.00%	<u>110,781,500,929</u>	100.00%	<u>(3,337,440,430)</u>	

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**California State Teachers' Retirement System**  
**Internal S&P 500 Indexed Portfolio Performance**

The California State Teachers' Retirement System's internal S&P 500 indexed portfolio (Portfolio) was \$14,925,814,468 as of April 30, 2000. The performance objective of the Portfolio is to closely track the return of the S&P 500 Index. Table 1 compares the portfolio's performance with the returns of the index. The portfolio's return for the past 12 months was 10.275% while the index return was 0.086% (8.6 basis points) lower at 10.189%.

**Table 1: S&P 500 Performance**

<b>Period</b>	<b>Portfolio Total Return</b>	<b>Index Total Return</b>	<b>Variance</b>
3/31/98 – 12/31/98	12.892	12.975	-0.083
12/31/98 – 12/31/99	21.111	20.987	+0.124
12/31/99 – 4/30/00	-3.011	-3.009	-0.002
1 Year	10.275	10.189	+0.086

Portfolio return calculated by State Street Bank Analytics.